

## THE ECONOMIC FUTURE OF EUROPE

By HELMUTH WOHLTHAT

*The domestic and foreign economic policies of Germany have for the last eight years been subject to much bitter criticism from abroad. Nevertheless few deny that the economic structure which Germany has built up at home and more lately also in other parts of Europe has stood the severe test of two years of war. More and more do we find on the part of other nations the willingness to study and understand rather than simply ridicule and condemn Germany's new economic ideas and methods. Day by day it becomes clearer that at the end of this war, the world will not be able to continue where it left off in the last days of August 1939 and that new ways will have to be found.*

*Wishing to present our readers with the views of one of Germany's leading economists, we have asked Mr. Wohlthat, who happens to be in the Far East at present, for a contribution dealing with some of the outstanding economic problems of post-war Europe. The reader will, we believe, appreciate his calm and broad-minded discussion of subjects which more often than not are presented in an emotional manner.*

*At the age of nineteen Helmuth Wohlthat entered the German Army and received his lieutenant's commission with special honors from Emperor Wilhelm II in 1914. After going through the whole war, he left the army and took up a business career. He soon developed a particular interest in international trade, and between 1920 and 1932 he spent much of his time traveling all over Europe and North Africa, as well as three years in the USA where he studied at Columbia University and the University of New York City and obtained his degree of M.A. In 1933 and the following years the German Government made use of his extensive knowledge and entrusted him with trade negotiations in Holland, Denmark, the Baltic States, Italy, Norway, Switzerland, Rumania, England, Manchukuo, Spain, and Japan. The trade agreements concluded by him during this period became the foundation for the present economic structure of Europe. In 1937, 1938, and 1939 he also took part as Germany's representative in the International Whaling Conferences in London. All these negotiations were carried out in his capacity of Ministerial Counsellor and Commissary for the German Four Year Plan.*

*Hence it would be hard to find a better authority to speak on the intricate structure of Europe's economic affairs and their probable future trend. Mr. Wohlthat is at present in Tokyo as head of a German economic mission which is endeavoring to pave the way for the future economic collaboration between Europe and the Far East.—K.M.*

In the midst of this war, efforts are being made to prepare the economic future of Europe, as it is to be shaped in peace-time in co-operation with all of Europe and for the benefit of all nations. The economic relations of the European states have naturally always been so close that by far the greater part of their commerce and

exchange was carried on within Europe. It is intended in future not just to restore these relations, but to promote and guide the economic co-operation of all European states in such a way as to increase their trade to the greatest possible extent and to raise the standard of living all over Europe. It will no doubt be impossible,

when the present war is ended, to establish suddenly a general sphere of free trade in a Europe split up for centuries by tariff barriers. This would cause too great a revolution in European agriculture and industry; the problem will rather be to abolish excessively high customs barriers and to reduce some of the duties and other impediments to trade.

### CURRENCIES

The national states will probably continue to exist for a long time as economic units, and with them the various national currencies and budgets. Hence the creation of a uniform European currency is not very likely; the Reichsmark, however, as a medium of exchange will rise in importance and will occupy the first place among European currencies. As soon as the condition of the various national economies and their debts to each other can be surveyed after the war, an attempt must be made to stabilize the rates of exchange in such a way as to effect a natural balance between the prices of the countries concerned and the purchasing power of their currencies.

### GOLD STANDARD?

It is not to be expected that the currencies will be based on a gold standard, which would lead to an automatic balance of payments in a gold currency system. The gold stocks of the world have been concentrated during the last few years in the United States, and it remains to be seen to what extent claims of European countries against the United States will be paid in gold after the war. At any rate, a great number of states in the near future will have no large gold reserves at their disposal, but will be forced to support their currencies by balancing payments through the various methods of exchange control, and to bring about the balancing of the domestic fiscal budget. To this must be added that all states will have to solve the problem of price levels in their countries, which in industrial countries will have repercussions on the wage

standard and hence on the social structure.

### LABOR AS CURRENCY RESERVE

If it has been said that currencies will in future be based not on gold but on labor, this does not imply a policy concerned only with maintaining a stable wage system. Rather, human labor is regarded as the most important source for the production of values and as the basis of an ordered national economy. The stability of the currencies could be maintained in such a financial system by the careful supervision of the balances of payment. As the balance of payment of every national economy in relation to other states must in the long run be equalized, the supervision of the balance of payments is a means for creating a basis for a stable domestic economic development. The supervision of the balance of payments will in future have to be extended, not only over trade and the long-term movements of capital, but above all over the short-term movements of capital. For the sudden demands and movements of the latter were, during the last few decades, the starting-point for the disturbances in the sphere of currencies and caused, in connection with the unsettled interstate indebtedness, the breakdown of the credit markets of the world.

### NO REASON FOR UNEMPLOYMENT

The European states will endeavor to solve the social problem by the fullest possible employment of all able-bodied workers. This goal can probably be attained only through systematic directing of public works by the states in their own countries as well as in European projects common to all, for instance in the fields of communications and power development.

It is quite conceivable that, after the restoration of peace, full employment of all workers will be maintained in a planned economy, not only in Germany but in all of Europe, even if rearmament programs and war-produc-

tion no longer play the same role as they do now.

### *THE ROLE OF PRIVATE CAPITAL*

During the last few years the necessity arose in many countries for a state control of their economic systems. This control had to be subjected to tedious and costly experiments. In the disturbances caused by these experiments it was seldom possible to conclude long-term agreements for interstate commerce. We hope that in future this will again be possible in order that private capital and enterprise, relying on peace and a safe political future, will again find a field for fruitful activity beyond the borders of its own country. Considerable alleviations are also conceivable in the methods used at present to control and direct foreign trade and interstate commerce when the basis of a lasting peace has been secured and the nations have been convinced that such a peace will endure.

### *NO STATE CAPITALISM*

If the destruction of capital invested in Europe can be kept within limits until a condition of peace has been established, and if the domestic and foreign debts of the states do not take on excessive proportions as a result of the war, there is no doubt that Europe would be capable of great economic development. In view of the large population figures and the high standard of living of many European nations, the social and economic problems should be solved in a manner which upholds the principles of private property and initiative; for only in this way is it possible to overcome the greatest danger to modern mass-populations: the creation of an economy managed exclusively by the state under Marxist-Socialist or Communist auspices.

The present opponents of Germany should not forget that during the last twenty-five years many European countries have become acquainted with the dangers of a revolutionary social upheaval, for the most part when the unemployed masses came under Communist leadership. Germany, more

than any other country, cannot forget the years up to 1932, when the number of unemployed steadily rose and Communism seized the masses.

### *MISUNDERSTANDINGS*

There have been many symptoms during the last few years in Europe which were not properly understood on the Anglo-American side. The economic development of Europe, for example, has reached the highest degree of industrialization in Germany, north-western Europe, and those territories adjoining Germany in which either the German population predominates or in which German influence has for centuries been especially strong. Austria, Sudetenland, Upper Silesia, and Alsace-Lorraine, for example, have not, as is often maintained, been returned to German sovereignty because they are territories with a highly developed industry, but because their population is of German origin.

### *THE NATURAL FOUNDATIONS OF EUROPEAN ECONOMY*

Germany, although primarily a great industrial power, has herself always insisted on the maintenance and development of her agriculture. In her domestic economy there has always been a struggle for the balance of interests between agriculture and industry. But Germany owns the richest coal deposits in Europe and so has developed the greatest heavy industry. Moreover, a large section of European industry beyond the German borders has for decades been dependent on German coal supplies, and for technical reasons has always sought close co-operation with German industry. The existence of coal, for that matter, together with other raw materials is also characteristic of the development and location of heavy industries in Great Britain and America. Far from obstructing the development of industry in other European countries, German capital has at various times—mainly before 1914 and also, as soon as this was possible, after 1918—been the leading participator in the foundation of industries in many European countries.



The commanding position of Germany as an industrial power is not of recent date. It has existed in Europe for more than fifty years. European industry is distributed over many countries, and Germany has, especially in the last few years, furthered the industrial development mainly of the agricultural states of the southeast by supplying machinery. It is characteristic of Europe that the center of gravity of modern industry developed in Germany. The reasons for this are to be found in natural resources, and the aptitude of the German population to develop those forces in capital, labor, and science which are indispensable to a highly developed modern industry.

It would be not only unnatural but senseless to develop heavy or chemical industries in those parts of Europe with a suitable soil for their agricultural production. For industrial raw materials would have to be brought in from distant countries, and the working-class, by nature agricultural, would have to be educated to industrial labor. It is necessary to have a certain industrialization in the European agricultural states; the question is to find the degree of industrialization best suited to a common European plan. The industrialization is to effect an increase in purchasing power and the standard of living. Germany knows that her foreign trade has always been greatest with industrial countries of a high purchasing power.

#### *THE ATTITUDE OF GREAT BRITAIN AND THE USA*

The problem of the industrial and agricultural development of Europe will perhaps be better understood from the Anglo-Saxon side if the British remember their own conditions. In the British Isles the industrial development has almost completely ousted agriculture, while, on the other hand, agricultural production has been developed under very favorable climatic conditions on the good soil of the Dominions, which again are supplied with consumer goods and means of production by British industry. For

decades the Dominions have been struggling for a chance to develop industry. Such industries should, however, only be developed in those parts overseas where raw materials and market conditions justify the investment of capital.

It is not only in Europe that the amount expressed in international purchasing value, produced per head, is higher in industrial production than in agriculture. We can find this phenomenon all over the world, in America perhaps to an even greater degree than in Europe. In American domestic economy the struggle between agricultural and industrial interests is almost greater than in Germany and Europe. In Germany, however, the entire economic structure is far more characterized by its highly developed modern industry than in America.

#### *THE GERMAN POSITION*

For the last sixty years the German Governments have been endeavoring to maintain agriculture on a solid basis. The National-Socialist Government is outstanding for the attention it has devoted to agriculture and for having done more for agriculture through organization of markets and price policy than any other German Government. It seems to me, therefore, mistaken for Anglo-American circles to maintain that Germany intends to ensure for herself, in the new order of Europe, more or less an industrial monopoly by de-industrializing the agricultural territories of Europe and leaving them entirely to their agricultural production. In Europe, German industry holds the leading position in almost all branches, just like the United States industry in the Americas. British industrialists have often said that in the course of the last twenty years they had fallen behind the achievements of German and American industry.

#### *EUROPE'S PROBLEM*

The European continent (excluding Russia), with a population of more than three hundred million and with its fixed conditions of space and raw materials, has, however, an entirely different prob-

lem to solve from that of British industry, with the whole Empire-market at its disposal, or that of U.S. industry, with a population of one hundred and thirty million in a country almost as large as Europe. For the participants, the "new order of Europe" is not a slogan for the maintenance of a huge war-machine. It is rather a program for the solution of social and economic problems existing in Europe, which can only be solved co-operatively and not separately by twenty different European states.

### PROSPEROUS CUSTOMERS DESIRED

In its economic relations with the countries of Europe, Germany has often attained as large a share as 40-50% of the foreign trade of the countries in question. This can be compared with the similar share enjoyed by Great Britain in the trade of the British Empire; and also with the share of the USA in the foreign trade of Canada and of Central and South America. In Europe the idea is gaining ground *that the isolation of the various national states by customs barriers, protective tariffs, and similar methods which prevent the traffic of goods and evoke an artificial development in the protected territories, is not the correct means of raising the standard of living.* Germany's interest in maintaining and increasing the purchasing power of her customers in Europe coincides with that of the various European Governments endeavoring to raise the standard of living of their peoples.

### NON-GERMAN INDUSTRIES IN EUROPE

Native industries have developed, within the limits set by nature, in northwestern Europe, Sweden, northern Italy, and northern Spain. Such industries, based upon the natural resources of these countries and upon the capacity of their populations for industrial labor, will in future not only continue to exist but will develop further within a reorganized Europe. The idea of establishing an industrial monopoly on the part of Germany,

founded upon the exploitation or impoverishment of the agricultural population of Europe, would be just the opposite of that which German economic policy has been practicing during the last eight years. There is, for instance, the problem of over-population in the agricultural countries of Europe. This cannot be solved by emigration, but only by agricultural reforms and partial industrialization suited to local conditions. German economic policy has taken this into account and furthered the co-operation with the local industries concerned.

### PROTECTION OF EUROPEAN AGRICULTURE

In order to obtain consumer goods and means of production, the European agricultural states must sell their agricultural over-production to procure the necessary foreign exchange. They can sell the greater part of their production only in Europe, that is in territories with an industrial population. They cannot sell their products to a sufficient extent and at profitable prices in England, *for there they have to compete with the products of the British Empire, which expects to sell at least half of its exports to the highly industrialized British Isles.*

Owing to existing circumstances and the high standard of living reached in the course of their centuries-old history, the agricultural nations of Europe cannot produce agricultural goods at the prices at which they are produced in the British Empire and elsewhere overseas under the most favorable conditions of soil and climate. For this reason Germany has paid the European agricultural nations prices for their products which ensure a living for the population. In future, too, Germany will have to pay not only its own farmers but also those of other European countries higher prices than it would for example have to pay Australia or Canada for wheat in good crop-years.

### THE AMERICAN PARALLEL

Germany is not alone in this policy. The United States has also passed

legislation for the protection of its own farmers and their products. This legislation, covering wheat, cotton, and tobacco, is intended, first, to protect its own production against foreign competition, and secondly, to ensure prices sufficient for the requirements of the farm population. The European nations live under what is possibly an even stronger pressure of social and economic problems than the population of the United States or the British Commonwealth of Nations. For the solution of the problems which will arise in Europe after this war, the guidance of economy by the Governments will be unavoidable.

#### AGAINST SOCIALIZATION

On the basis of the experience gathered by Germany during the last few years, the program for the future of Europe will definitely not consider any ideas of socialization as they have been proclaimed in Marxist Socialism. As for the Bolshevik and Communist ideology, a decisive battle is now being fought against it.

When the war is over, the Anglo-American Governments will be faced by social and economic problems similar to those of Europe. However, in view of the methods of economic control employed in America in the last few years, American capitalists will have to consider how far they themselves are threatened by Marxist ideas of socialization. The national domestic debt, the claims against Great Britain, the change-over to peace production, the adjustment of foreign trade, and social problems will force the Federal Government to attempt, to an even greater degree than at present, to steer the economic development.

#### FUTURE RELATIONS BETWEEN EUROPE AND OVERSEAS

The Anglo-American world argues that the proposed system of European economy threatens to rule the entire world. This danger is supposed to be found in the fact that the concentrated purchasing power of an economic *Grossraum* Europe would carry an overwhelming weight in trade

negotiations when compared with the economic power of non-European nations.

The economic complexity of the world, however, has led to an ever-increasing degree to a compensation of interests not only within large economic spheres but between the spheres themselves. In its negotiations with overseas areas, Europe, it is true, can stake the consumption power of her mass-population; but the overseas areas, on the other hand, can offer the industrial nations their industrial raw materials and foodstuffs.

I do not see why one natural combination of buying and selling interests should be stronger than another. World harvests, new inventions, changes in the method of production, problems of exchange will continue to keep markets in movement and to offer the best chances to the enterprising and inventive merchant. In the future just as in the past a compensation of interests will have to be achieved in trade policy and economic negotiations, without one part or the other being able to dictate terms.

#### EUROPE WILL REMAIN A CUSTOMER

The tests of strength between raw material and industrial interests, between consumer and producer, as they take place in war, usually prove to be very costly for the participants. At any rate, for the future development of the South American countries and the Dominions the sale of a large part of their production to Europe is of more importance than their sales to the USA. Even the American efforts to buy up in the Americas raw materials essential for defense, to give credits to the South American States, and to work out plans of the Inter-American Development Commission, cannot do very much to change this state of affairs. Moreover, the plans of the last-named Commission show much similarity with the attempts at a new European order, which have in view the development of such complementary productions in the states of Europe.



The possibility for South America and the Dominions of sales within the sphere of the growing industrial power of Japan would not compensate for the total or partial disappearance of their former European markets; for the further development of industrial production in the Far East is to be expected on a basis of raw materials obtained from within that area.

As far as leading statesmen have taken economic questions into consideration in their proclamations, they have always placed emphasis upon the access to the sources of raw material and food, and not upon the threat which is supposed to arise from a massed purchasing power as visualized in the reorganization of Europe. Although Europe can help herself in times of war as regards foodstuffs and industrial raw material, this condition is not to be maintained in peace-time. Overseas territories are deeply interested in a Europe with a strong purchasing power developed on a sound basis.

### *THE ROLE OF AFRICA*

The colonial history of the European nations is responsible for a number of grave problems mainly connected with the economic future of the African continent. For two thousand years North Africa has had the closest economic relations with Europe. European nations, too, were instrumental in the more recent colonial development of Central and South Africa. The cultivation of the various parts of Africa has been carried out mainly in order to fill the requirements of Europe. This tendency will continue to an even greater degree in the future. The reorganization of Europe aims at enabling the various colonial administrations, through exchange of experiences and systematic, long-term co-operation, to work peaceably for an increased production of African agricultural and industrial raw products.

Such ideas seem quite obvious to European minds, and it is hard to see why they should mean a threat to the Anglo-American world. An economic development of Africa and the raising

of the purchasing power of the native population will benefit all nations participating in world trade.

### *THE SOLIDARITY OF EUROPE*

The new order of Europe is not a program invented in this war with the hidden aim of ruling the world. It is rather the result of a movement within the European nations going back to the effort of the various governments after the economic world-crisis of 1929/30 to lead their nations out of the misery of unemployment and a sinking standard of living. The borders of the smaller European states, however, enclose territories which are unable to carry out large-scale recovery measures out of their own economic and financial strength.

Penetrating the borders of the individual states there is a European consciousness, developed in a centuries-old common history. This European consciousness has grown since the Great War through the struggle with Bolshevism within the various countries, and since 1939 the peoples have been again awakened to it through the British blockade of Europe. A Bolshevik Russia does not belong to the sphere of European civilization. Great Britain today, feeling herself more a part of the British Commonwealth of Nations in all continents than a member of the European nations, leans more toward the United States, the new center of gravity of the Anglo-Saxon world.

### *FROM WAR TO PEACE ECONOMY*

The present war has divided up the world into several large areas, which have, moreover, been sharply outlined by the latest Anglo-American measures with regard to financial transactions. American Dollars, Reichsmark, and Japanese Yen with their dependent currencies characterize these economic *Grossraums* in which the peoples have at present to rely on their own resources. Economic warfare delimits them clearly against each other and against the few remaining intermediate zones which are still being fought for. Out of this war, we hope, will evolve a constructive solution for future peace.